



**BILLING CODE 3410-XV-U**

**DEPARTMENT OF AGRICULTURE**

**Rural Housing Service**

**7 CFR Part 3565**

**[Docket No. RHS-19-MFH-0017]**

**RIN 0575-AD15**

Guaranteed Rural Rental Housing Change in Initial Guarantee Fee and Annual Guarantee Fee

**AGENCY:** Rural Housing Service, USDA.

**ACTION:** Proposed rule.

**SUMMARY:** The Rural Housing Service (RHS or the Agency) is proposing to amend its regulation to remove the stated amount that the Agency will charge for the initial and annual guarantee fees. The regulation change will allow the Agency the flexibility to establish or make any future changes to the initial and annual guarantee fees without the need for a regulatory change.

**DATES:** Comments on the proposed rule must be received on or before [INSERT DATE 60 DAYS AFTER PUBLICATION IN THE **FEDERAL REGISTER**].

**ADDRESSES:** You may submit comments to this rule by any of the following methods:

- Federal eRulemaking Portal: Go to <http://www.regulations.gov> and, in the lower “Search Regulations and Federal Actions” box, select “Rural Housing Service” from the agency drop-down menu, then click on “Submit.” In the Docket ID column, select RHS-19-MFH-0017 to submit or view public comments and to view supporting and related materials available electronically. Information on using Regulations.gov, including instructions for accessing documents, submitting comments, and viewing the docket after the close of the comment period, is available through the site's “User Tips” link.

- Postal Mail / Commercial Delivery: Submit written comments to Michele L. Brooks, Director, Innovation Center – Regulations Management Division, Rural Development, U.S. Department of Agriculture, STOP 1522, 1400 Independence Avenue, SW., Washington, D.C. 20250-1522. All written comments will be available for public inspection during regular work hours at 1400 Independence Avenue, SW., Mailstop 1522, Washington, D.C. 20250.

**FOR FURTHER INFORMATION CONTACT:** Tammy Daniels, Finance and Loan Analyst, Multi-Family Housing Guaranteed Loan Division, Rural Housing Service, U.S. Department of Agriculture, STOP 0781-Room# 1263S, 1400 Independence Avenue, SW, Washington, D.C. 20250-0781, Telephone: (202) 720-0021 (this is not a toll-free number); e-mail: [tammy.daniels@usda.gov](mailto:tammy.daniels@usda.gov).

## **SUPPLEMENTARY INFORMATION:**

### **Background and Summary of Changes**

RHS administers the Section 538 Guaranteed Rural Rental Housing Program (GRRHP) under the authority of the Housing Act of 1949, as amended (42 USC 1490p-2). Under the GRRHP, RHS guarantees loans for the development of housing and related facilities in rural areas. Section 538(g) authorizes the Secretary of Agriculture to charge certain fees to lenders for loan guarantees. See 42 USC 1490p-2(g). The charged fees are required to be used to offset costs associated with loan guarantees. See 42 USC 1490p-2(u).

The Agency's GRRHP implementing regulation is at 7 CFR part 3565 and currently sets the exact percentage of the initial guarantee fee and the annual guarantee fee charged by the Agency. The Agency is proposing to amend the regulation by removing the language that indicates the specific amount of the initial guarantee fee and the annual guarantee fee currently charged by the Agency. The Agency is making this change to allow for flexibility and to allow the program to create the maximum housing affordability to residents by lowering program costs when practical. In most cases, the annual guarantee fee is passed onto the borrower, where it is most likely included in the interest rate. Thus, any reduction in the fee will result in a lower interest rate and would ultimately create a reduction in rental rates.

The calculation of the initial guarantee fee is the product of the percentage of the guarantee times the initial principal amount of the guaranteed loan. The initial guarantee

fee will be due at the time the closing package is submitted to the Agency for review and approval. The GRRHP annual fee is a non-refundable amount that the lender must pay the year that the loan closes and going forward each year that the loan guarantee remains in effect. Due to the negative subsidy, combined with the overall health of the Section 538 GRRHP portfolio, the Agency would like to have the flexibility in its regulation to reduce the annual guarantee fee due on the outstanding principal amount of the loan that will be charged each year or portion of a year that the guarantee is in effect. For example, if a guaranteed loan closes on any date between January 1 and December 31, 2018, the effective date for the fee determination will be December 31, 2018. The annual fee will be collected by February 28, 2019, and each calendar year going forward while the guarantee remains in effect.

If changes do occur in the fee amounts, the Agency will release those changes through a notice in the Federal Register. When the fee changes are announced in the Federal Register, the Agency will provide guidance on how to process the loans which will be impacted by the new fee structure. Interested parties will be able to locate current fees on the Agency's public website.

#### **Executive Order 12866 - Classification**

This proposed rule has been determined to be non-significant and; therefore, was not reviewed by the Office of Management and Budget (OMB) under Executive Order 12866.

**Authority**

The Guaranteed Rural Rental Housing program (GRRHP) is administered subject to appropriations by the U.S. Department of Agriculture (USDA) as authorized under the Housing Act of 1949 as amended, Section 538, Public Law 106-569, 42 U.S.C. 1490 p-2.

**Environmental Impact Statement**

This document has been reviewed in accordance with 7 CFR part 1970, Subpart A, “Environmental Policies.” RHS determined that this action does not constitute a major Federal action significantly affecting the quality of the environment. In accordance with the National Environmental Policy Act of 1969, Public Law 91-190, an Environmental Impact Statement is not required.

**Regulatory Flexibility Act**

The rule has been reviewed with regard to the requirements of the Regulatory Flexibility Act (5 U.S.C. 601-612). The undersigned has determined and certified by signature on this document that this rule will not have a significant economic impact on a substantial number of small entities since this rulemaking action does not involve a new or expanded program nor does it require any more action on the part of a small business than required of a large entity.

**Executive Order 13132 - Federalism**

The policies contained in this rule do not have any substantial direct effect on States, on the relationship between the National Government and the States, or on the distribution of power and responsibilities among the various levels of Government. This rule does not impose substantial direct compliance costs on State and local Governments; therefore, consultation with States is not required.

#### **Executive Order 12988 - Civil Justice Reform**

This rule has been reviewed under Executive Order 12988. In accordance with this rule: (1) unless otherwise specifically provided, all State and local laws that conflict with this rule will be preempted; (2) no retroactive effect will be given to this rule except as specifically prescribed in the rule; and (3) administrative proceedings of the National Appeals Division of the Department of Agriculture (7 CFR part 11) must be exhausted before bringing suit in court that challenges action taken under this rule.

#### **Unfunded Mandate Reform Act (UMRA)**

Title II of the UMRA, Pub. L. 104-4, establishes requirements for Federal Agencies to assess the effects of their regulatory actions on State, local, and tribal Governments and on the private sector. Under section 202 of the UMRA, Federal Agencies generally must prepare a written statement, including cost-benefit analysis, for proposed and Final Rules with “Federal mandates” that may result in expenditures to State, local, or tribal Governments, in the aggregate, or to the private sector, of \$100 million or more in any one-year. When such a statement is needed for a rule, section 205 of the UMRA generally requires a Federal Agency to identify and consider a reasonable

number of regulatory alternatives and adopt the least costly, more cost-effective, or least burdensome alternative that achieves the objectives of the rule.

This rule contains no Federal mandates (under the regulatory provisions of title II of the UMRA) for State, local, and tribal Governments or for the private sector. Therefore, this rule is not subject to the requirements of sections 202 and 205 of the UMRA.

### **Paperwork Reduction Act**

The information collection requirements contained in this regulation have been approved by OMB and have been assigned OMB control number 0575-0189. This proposed rule contains no new reporting and recordkeeping requirements that would require approval under the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35).

### **E-Government Act Compliance**

RHS is committed to complying with the E-Government Act by promoting the use of the Internet and other Information Technologies in order to provide increased opportunities for citizen access to Government information, services, and other purposes.

### **Programs Affected**

The program affected by this regulation is listed in the Catalog of Federal Domestic Assistance under numbers 10.438 – Rural Rental Housing Guaranteed Loans (Section 538).

## **Executive Order 13175, Consultation and Coordination With Indian Tribal Governments**

This executive order imposes requirements on RHS in the development of regulatory policies that have tribal implications or preempt tribal laws. RHS has determined that the rule does not have a substantial direct effect on one or more Indian tribe(s) or on either the relationship or the distribution of powers and responsibilities between the Federal Government and Indian tribes. Thus, this rule is not subject to the requirements of Executive Order 13175. If tribal leaders are interested in consulting with RHS on this rule, they are encouraged to contact USDA's Office of Tribal Relations or RD's Native American Coordinator at: [AIAN@wdc.usda.gov](mailto:AIAN@wdc.usda.gov) to request such a consultation.

## **Executive Order 12372 - Intergovernmental Consultation**

These loans are subject to the provisions of Executive Order 12372, which require intergovernmental consultation with State and local officials. RHS conducts intergovernmental consultations for each loan in accordance with 2 CFR part 415, subpart C.

## **Non-Discrimination Statement**

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- (1) Mail: U.S. Department of Agriculture  
Director, Office of Adjudication  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410;
- (2) Fax: (202) 690-7442; or
- (3) E-Mail: [program.intake@usda.gov](mailto:program.intake@usda.gov).

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### **List of Subjects in 7 CFR 3565**

Conflict of interest, Credit, Fair housing, Loan programs-housing and community development, Low and moderate-income housing, Manufactured homes, Mortgages, Rent subsidies, Reporting and recordkeeping requirements, Rural areas.

For the reasons set forth in the preamble, 7 CFR part 3565 is proposed to be amended as follows:

### **Part 3565 – GUARANTEED RURAL RENTAL HOUSING PROGRAM**

1. The authority citation for part 3565 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C 1989; 42 U.S.C. 1480.

### **Subpart B – Guarantee Requirements**

2. Amend § 3565.53 introductory text by adding a sentence at the end and revising paragraphs (a) and (b) to read as follows:

#### **§ 3565.53 Guarantee fees.**

\*\*\*Changes to the initial and annual guarantee fees will be established by the Agency and will be published in a Notice in the Federal Register.

(a) Initial guarantee fee. The Agency will establish and charge an initial guarantee fee of up to one percent of the guarantee amount. For purposes of calculating this fee, the guarantee amount is the product of the percentage of the guarantee times the initial principal amount of the guaranteed loan.

(b) Annual guarantee fee. An annual guarantee fee will be charged, as established by the Agency, each year or portion of a year that the guarantee is in effect.

This fee will be collected on February 28, of each calendar year.

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Bruce W. Lammers  
Administrator  
Rural Housing Service

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